

Report to Council



Date: September 14, 2020
To: Council
From: City Manager
Subject: 2020 Q2 Planning and Development Statistics
Department: Planning and Development Services

Recommendation:

THAT Council receive for information the report from the Divisional Director of Planning and Development Services dated September 14, 2020 with information relating to Q2 Planning and Development Statistics;

Purpose:

This report updates Council on Building and Development Statistics from Q2 2020.

Background:

In order to keep Council current with local development and construction trends, the Divisional Director of Planning and Development Services will endeavor to bring quarterly reports forward for Council's information. As the structure of this report continues to develop, the goal is to improve the connection between Council's consideration of development applications on a weekly basis and the larger picture of housing goals in the Official Community Plan.

Discussion:

Planning Application Intake Statistics – Q2 2020

The Q2 2020 development application statistics show a noticeable decrease in volume which can be attributed to:

- A) A record number of development applications were submitted in the first quarter of 2020. Although the City's Development Planning department has been experiencing higher than average development application volumes for the last 4-5 years, this Q1 volume is attributed to the Development Cost Charge increase that was implemented in February of 2020.

- B) Uncertainty caused by the COVID-19 Pandemic meant that fewer new development applications were being made to the City in Q2.
- C) As shown below, the 2020 total to date of 374 is almost on track with 2019's 382. This is down from 2017 and 2018 highs.

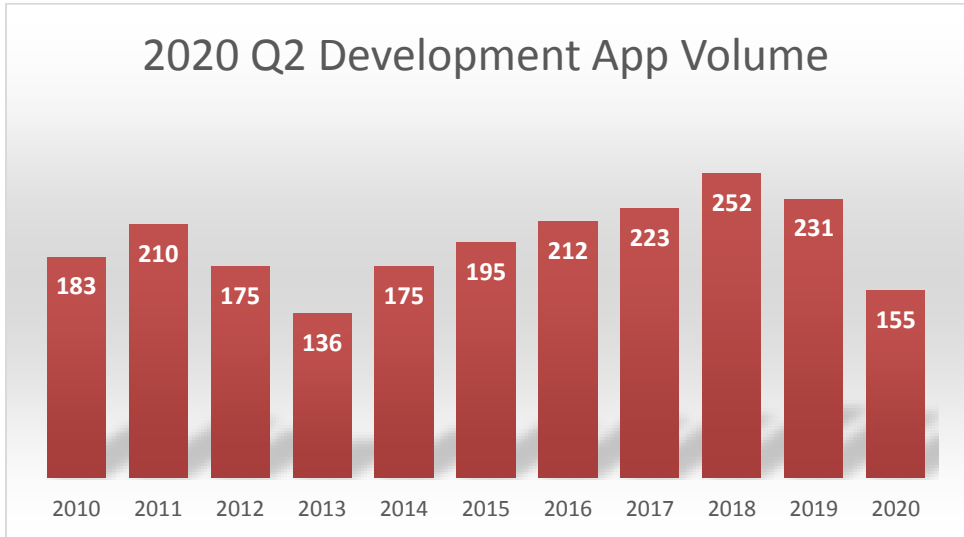


Chart 1

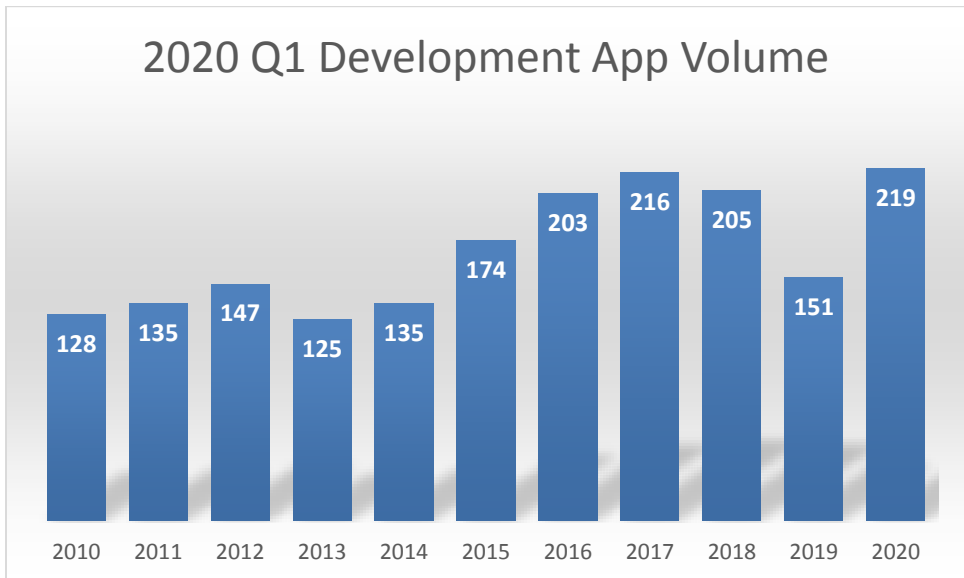


Chart 2

Building and Permitting Statistics Q2 - 2020

The City's Building and Permitting team noted a Q1 reduction in construction value of nearly 50%; however, this is in comparison to 2019 where Building Permits for several very large Commercial, Industrial and Multi-Family projects were permitted.

Q2 Building Permitting activity picked up from \$90 million gross value in Q1 to nearly \$140 million gross value. It now sits close to the 10-year quarterly average (approx. \$138,000,000). The relative strength of this number despite the impacts of COVID19 combined with a strong summer real estate market mean that gross construction value is likely to continue the bounce back for the remainder of this year. The late fall/winter could see a spike in permit applications related to the impending DCC grandfathering deadline in February 2021.

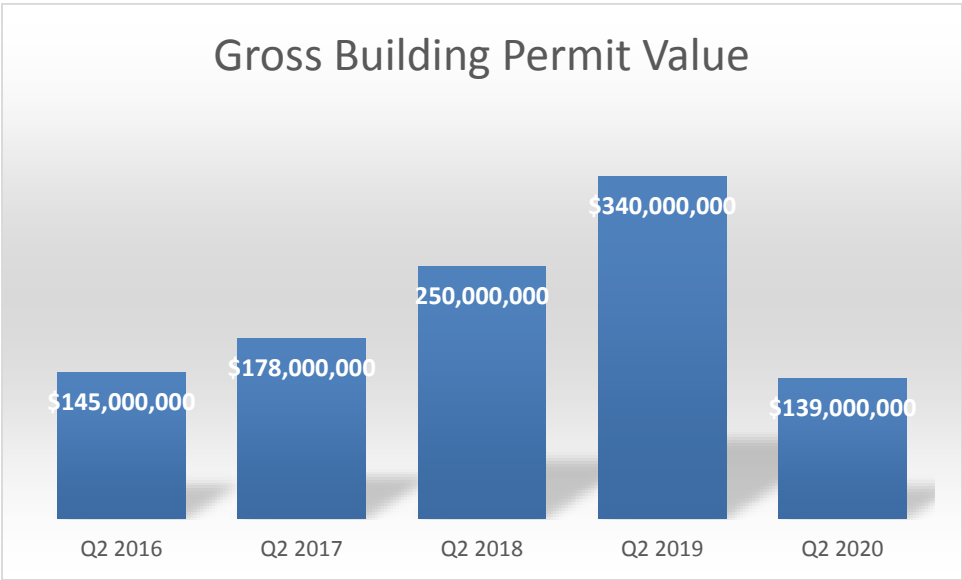


Chart 3

Housing Type and Volumes

While housing starts were less than half the 10-year average in Q1 (Chart 5), they strengthened by the end of Q2 as Kelowna’s real estate market also began to gain confidence.

Chart 6 shows a bounce back in multi-family housing starts. This indicates that some developers planning larger scale multi-family housing projects are choosing to proceed rather than pausing after the initial stages of the COVID-19 shutdown. Single family home construction, which generally represents lower risk investment, continued to proceed at a relatively steady rate and may end 2020 above the 5 year average.

91% of the Q1 housing starts were single family which is well above the 5 year average of 41% for this period. This split shrunk in Q2 to 52% single family housing starts and 48% multi-family. We expect to see this trend continue to reverse itself back towards a stronger multi-family side of the split as developers begin to pull building permits on multi-family developments permitted prior to the DCC grandfathering deadline in February.

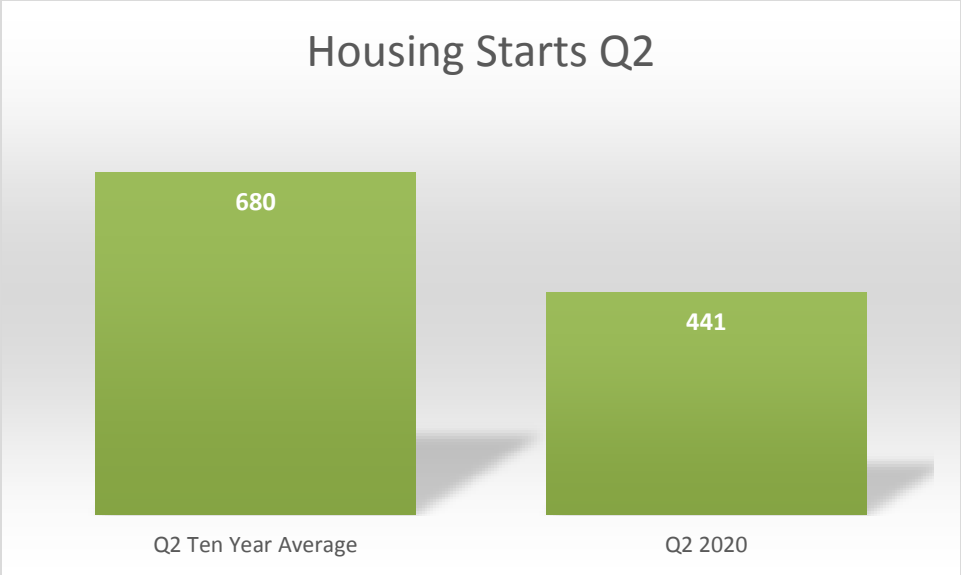


Chart 4

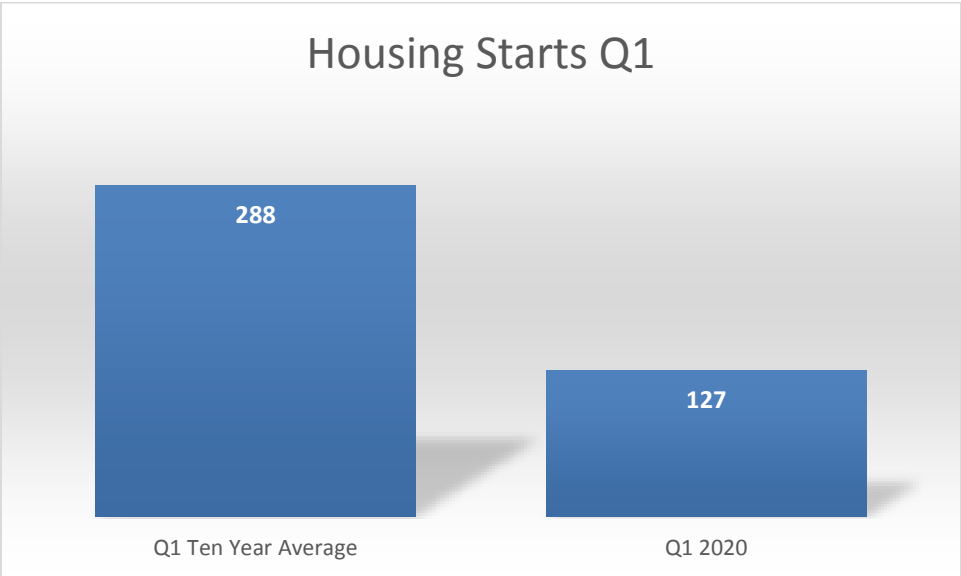


Chart 5

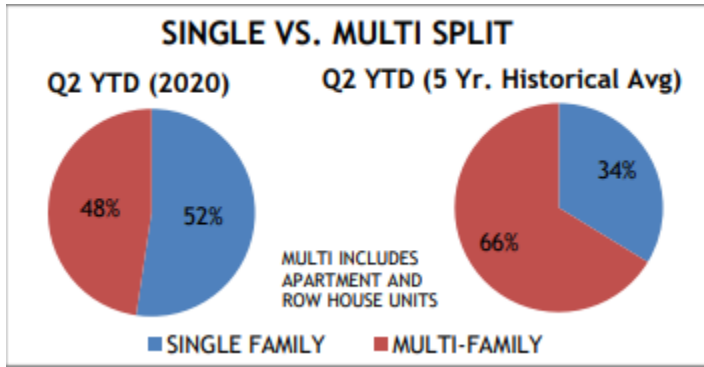


Chart 6

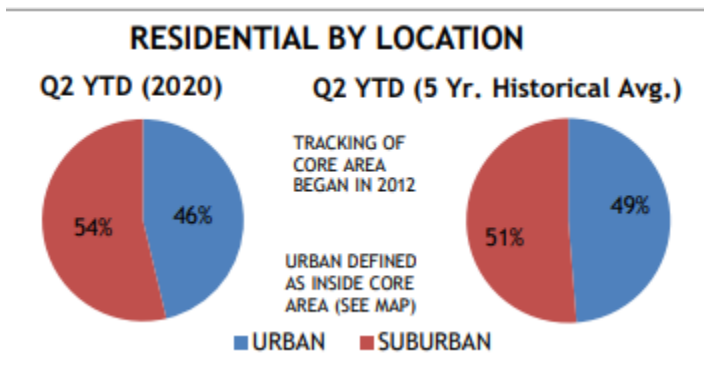


Chart 7

Conclusion:

Planning application numbers for Q2 were down from a very strong first quarter. This was not unexpected given the previous rush to submit applications related to DCC increases and uncertainty created by the COVID-19 crisis. As business recovery efforts get underway, we can likely expect to see higher levels of both development application activity and multi-family housing starts in the months ahead. An upswing in fall building permit activity is likely as developers move permitted projects forward to take advantage of DCC rate grandfathering.

The Planning and Development Services Division will use this information to help match resources to anticipated workload for the remainder of this year and into 2021. The goal being to provide a relatively steady level of service from both the Planning and Building and Permitting teams to all permitting applicants

Q2 Building Permit value is up from a slow start in 2020 Q1, a minor decrease in gross permit value was already anticipated and has been exacerbated by the COVID-19 crisis. The local real estate market has enjoyed a busy summer which will likely increase developer/builder confidence and lead to continued improvement in gross building permit values under application. The Okanagan Mainline Real Estate reported that June sales were up 9% over the same period last year and that July sales were up 38% over June. It should be noted that it was generally expected that 2020 would be a slower year than 2019

due to normal real estate market cycles. Staff will continue to monitor this trend. It appears to be most visible in Q2 2020 development application volumes at this point.

The multi-family/single-family split in housing starts that was heavily leaning towards single family saw a change in Q2 2020. The split began trending back towards the 5-year Q2 average of 66% multi-family vs. 34% single family units (back to 48% multi-family). During the first quarter of 2020 we saw 91% single family units permitted and only 9% multi-family.

Internal Circulation:

**Director, Development Services
Department Manager, Policy and Planning
Department Manager, Development Planning
Divisional Director, Corporate Strategic Services**

Considerations applicable to this report:

N/a

Considerations not applicable to this report:

Legal/Statutory Authority:

Legal/Statutory Procedural Requirements:

Existing Policy:

External Agency/Public Comments:

Communications Comments:

Financial/Budgetary Considerations:

Submitted by:

R.Smith, Divisional Director of Planning and Development Services

Approved for inclusion:



D.Gilchrist, City Manager